

Message Text

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21

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SUBJECT: ITC FOOTWEAR CASE

REF: A. MADRID 6167 (4 SEPT. 75), B. MADRID A-239 (5 DEC. 75)

1. FOMIN AREILZA DISCUSSED ITC FOOTWEAR CASE WITH ASSISTANT SEC
HARTMAN DURING SECSTATE'S VISIT TO MADRID. AREILZA GAVE A MEMORANDUM
IN ENGLISH ON SUBJECT TO HARTMAN WHICH EMBASSY TRANSMITS HERE IN
ITS ENTIRETY:

"MEMORANDUM. SPANISH EXPORTS OF SHOES TO THE UNITED STATES OF
AMERICA ARE AGAIN MENACED BY THE POSSIBLE ADOPTION IN COMING WEEKS
OF RESTRICTIVES (SIC) MEASURES.

THE INTERNATIONAL TRADE COMMISSION IS AT PRESENT HOLDING HEARINGS IN
ORDER TO DETERMINE THE EFFECTS OF SHOE IMPORTS ON THE UNITED
STATES OF AMERICA MANUFACTURING INDUSTRY. THIS INVESTIGATION SHALL
COME TO AN END IN A FEW WEEKS AND ON THE BASIS OF RESULTS OBTAINED,
THE INTERNATIONAL TRADE COMMISSION SHALL PROPOSE TO THE PRESIDENT
OF THE UNITED STATES OF AMERICA THE APPROPRIATE COURSE TO FOLLOW.
IN ANY EVENT, WHATEVER THE ULTIMATE FINDINGS OF THE INTERNATIONAL
TRADE COMMISSION MAY BE, IT SHALL BE UP TO THE PRESIDENT TO
TAKE THE FINAL DECISION ON THE MATTER.

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CONSCIOUS OF THE GRAVE CONSEQUENCES THAT ANY MEASURE TAKEN BY THE UNITED STATES OF AMERICA TO LIMIT SPANISH EXPORTS OF SHOES TO THE AMERICAN MARKET, WOULD ENTAIL IN THE GENERAL CONTEXT OF RELATIONS BETWEEN BOTH COUNTRIES, THE GOVERNMENT OF SPAIN WISHES TO UNDERLINE YET AGAIN THE GREAT IMPORTANCE ATTACHED TO THE MATTER, IN ORDER TO AVOID SERIOUS DAMAGE TO THE TRADITIONAL TIES OF FRIENDSHIP AND COOPERATION LINKING THE UNITED STATES OF AMERICA AND SPAIN.

THAT IS WHY IT BECOMES IMPERATIVE TO RECALL THAT THE TRADE BALANCE BETWEEN UNITED STATES OF AMERICA AND SPAIN SHOWS FOR THE PAST THREE YEARS A CONSIDERABLE AND EVER-GROWING SPANISH DEFICIT AMOUNTING TO \$838 MILLION IN 1973, \$1,553 MILLION IN 1974 AND \$1,778 MILLION IN 1975.

SPANISH EXPORTS OF SHOES TO THE U.S. MARKET ARE THE MOST IMPORTANT SINGLE ITEM OF U.S. IMPORTS FROM SPAIN. IN 1975 THEY CAME TO MORE THAN \$200 MILLION EQUIVALENT TO APPROXIMATELY 25 PERCENT OF ALL SPANISH EXPORTS TO THE UNITED STATES OF AMERICA.

THE GOVERNMENT OF SPAIN, HOWEVER, DOES NOT WISH TO CONTEMPLATE THE ISSUE PURELY FROM AN ECONOMIC STANDPOINT, BUT MUST ALSO BEAR IN MIND THE SOCIAL AND POLITICAL IMPLICATIONS DERIVED FROM IT. THUS, THE U.S. AUTHORITIES SHOULD BE FULLY AWARE OF THE WIDESPREAD CONCERN PRESENT THROUGHOUT SPANISH SHOE MANUFACTURING AREAS MOTIVATED BY THE POSSIBLE ADOPTION BY THE UNITED STATES OF AMERICA OF RESTRICTIVE MEASURES WHICH WOULD RAISE UNEMPLOYMENT IN THOSE AREAS TO A DANGEROUS LEVEL.

THE GOVERNMENT OF SPAIN IS ALSO EXTREMELY CONCERNED ABOUT THE FEELINGS OF A PUBLIC OPINION WHICH WOULD FIND IT DIFFICULT TO ADMIT SUCH AN ATTITUDE ON THE PART OF THE UNITED STATES OF AMERICA A FEW WEEKS AFTER THE SIGNATURE OF A NEW TREATY OF FRIENDSHIP AND COOPERATION BETWEEN BOTH COUNTRIES.

ON THE BASIS OF THE ABOVE MENTIONED CONSIDERATIONS, THE GOVERNMENT OF SPAIN WISHES TO EXPRESS THE FIRM HOPE THAT THE PRESIDENT OF THE UNITED STATES OF AMERICA DOES NOT ACCEPT, IRRESPECTIVE OF THE INTERNATIONAL TRADE COMMISSION PROPOSAL, THE ADOPTION OF MEASURES LEADING TO A RESTRICTION

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OF IMPORTS OF SPANISH SHOES INTO THE UNITED STATES OF AMERICA.
MADRID, JANUARY 24TH., 1976."

2. COMMENT. AREILZA USED THE SIGNING OF THE NEW TREATY OF FRIENDSHIP AND COOPERATION AS A LOGICAL VEHICLE TO PUT FORTH THE "...SOCIAL AND POLITICAL IMPLICATIONS..." OF THE SHOE ISSUE. WHEN VIEWED AGAINST THE LANGUAGE OF THE TREATY WHICH SPEAKS OF ENCOURAGING TRADE BETWEEN THE TWO COUNTRIES, MOVES

TO LIMIT SPAIN'S LEADING EXPORT TO THE US DOES ACQUIRE A POLITICAL SHADING IN SPANISH EYES. THIS IS REINFORCED BY THE FACT, AS AREILZA SPELLS OUT IN HIS MEMO, THAT SHOES ACCOUNT FOR SOME 25 PERCENT OF ALL SPANISH EXPORTS TO THE US AND THUS CONSTITUTE SPAIN'S PRINCIPAL TOOL FOR WHITTLING DOWN THE HIGH TRADE DEFICIT IT RUNS WITH THE US. WE SHOULD ALSO ADD TO HIS COMMENTS THAT THE US BUYS OVER HALF OF ALL SPANISH SHOE EXPORTS.

3. AREILZA'S POINT THAT US "...RESTRICTIVE MEASURES WHICH WOULD RAISE UNEMPLOYMENT IN THOSE (SHOE MANUFACTURING) AREAS TO A DANGEROUS LEVEL" IS WELL TAKEN. THE EMBASSY ESTIMATES (REF. B) THAT THE US MARKET MEANS WORK FOR ABOUT 25 PERCENT OF THE 55,000 MAN SPANISH SHOE INDUSTRY LABOR FORCE.

4. ALTHOUGH NOT MENTIONED BY AREILZA, THE SPANISH POSITION IS ALSO INFLUENCED BY OTHER INTERNATIONAL SHOE TRADE DEVELOPMENTS. WEST GERMANY, FRANCE, AUSTRIA, SWEDEN, AND AUSTRALIA HAVE ALREADY ACTED TO STEM WHAT THEY CONSIDER TO BE AN ALARMING GROWTH OF SHOE IMPORTS. THESE COUNTRIES OCCUPY THE SECOND, THIRD, NINTH, ELEVENTH AND THIRTEENTH POSITIONS AMONG THE 20 LEADING MARKETS FOR SPANISH SHOES. SPAIN IS WITNESSING A TREND IT DOESN'T LIKE AND ONE IT CERTAINLY WOULD NOT WANT COMPOUNDED BY SIMILAR ACTION ON THE PART OF ITS LARGEST SHOE CUSTOMER.

5. ALSO NOT MENTIONED BY AREILZA, BUT FREQUENTLY HEARD, IS THE FEAR THAT ANY QUOTAS ESTABLISHED BY THE US WOULD BE BASED ON US SHOE IMPORTS IN 1968. THE EMBASSY UNDERSTANDS THAT THE AMERICAN SHOE INDUSTRY SEEKS REDUCTION OF IMPORT PENETRATION IN THE AMERICAN MARKET FROM THE CURRENT 43 PERCENT TO THE 21.5 PERCENT EXISTING IN 1968. HOWEVER, WE ASSUME ANY QUOTAS THAT MAY BE IMPOSED WOULD BE IN ACCORD WITH MORE RECENT TRADE HISTORY. SINCE SPAIN IS A RELATIVELY NEW SUPPLIER TO THE US (AS ARE ALL THE MAIN SUPPLIERS OTHER THAN ITALY) THIS IS A LIMITED OFFICIAL USE

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CRUCIAL QUESTION. WE WOULD APPRECIATE STATE'S GUIDANCE ON THIS POINT.

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